

Message Text

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PAGE 01 ROME 02554 202105Z

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ACTION EUR-12

INFO OCT-01 EA-06 ISO-00 FEA-01 ERDA-05 AID-05 CEA-01

CIAE-00 CIEP-01 COME-00 DODE-00 EB-07 FPC-01 H-01

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FM AMEMBASSY ROME

TO SECSTATE WASHDC 9663

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

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AMEMBASSY THE HAGUE

AMEMBASSY TOKYO

USMISSION EC BRUSSELS

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AMCONSUL MILAN

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E.O. 11652: N/A

TAGS: ENRG, IT

SUBJECT: FARNESINA THINKING ON ENERGY ALTERNATIVES

REF: ROME 2224

1. MFA DIRECTOR GENERAL OF ECONOMIC AFFAIRS TOOK ECON-COMM
MINISTER ASIDE AT SOCIAL FUNCTION FEB 18 TO DISCUSS IN PRELIMINARY
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PAGE 02 ROME 02554 202105Z

WAY HIS VIEWS ON ITALIAN POSITION ON ENERGY ALTERNATIVES AND IN

PARTICULAR FLOOR PRICES.

2. GUAZZARONI SAID THAT GOI IS HAVING DIFFICULT TIME PUTTING TOGETHER ITS POSITION. ON ONE HAND, ITALIANS CONTINUE DESIRE TO WORK CONSTRUCTIVELY WITH IEA TO HANDLE WHAT IT CLEARLY RECOGNIZES IS MULTILATERAL PROBLEM REQUIRING CONSUMER COOPERATION AND SOLIDARITY. ON OTHER HAND, PROPOSALS FOR FLOOR PRICES AT LEVELS WHICH WOULD PROVIDE ADEQUATE DOWN-SIDE PROTECTION FOR IEA MEMBERS WHO HAVE ALTERNATIVE SOURCES (SUCH AS US AND UK) WOULD FOR PRACTICAL REASONS BE MOST DIFFICULT FOR ITALY TO ACCEPT.

3. GUAZZARONI STRESSED THAT GOI WANTS TO FIND A SOLUTION TO THIS PROBLEM. DRAWING AN ANALOGY WITH THE OPERATION OF THE CAP, HE SUGGESTED THAT THERE MIGHT BE A TARGET OR REFERENCE PRICE ON WHICH INVESTMENT DECISIONS COULD BE BASED AND A CONSIDERABLY LOWER FLOOR PRICE. THE KEY FOR ITALY WOULD BE THE SIZE OF THE SPREAD BETWEEN THE TWO. ECOMIN COMMENTED THAT POINT OF ISSUE HERE WOULD BE AMOUNT OF DOWN-SIDE RISK INVESTORS OR THEIR GOVERNMENTAL AUTHORITIES ARE READY TO ASSUME. GUAZZARONI AGREED, ADDING THAT IN ANY EVENT THE GOI WOULD HOPE FOR A VERY FLEXIBLE ARRANGEMENT.

4. IN ANY EVENT, THE GOI WOULD WANT OTHER ACCOMPANYING MEASURES IF IT WERE TO BE ABLE TO GO ALONG WITH A MINIMUM PRICE ARRANGEMENT THAT MIGHT BE SATISFACTORY FROM THE US STANDPOINT. FIRST WOULD BE A GUARANTEE ON SUPPLY AVAILABILITIES. SECOND MIGHT BE AN ARRANGEMENT TO ENSURE THAT REVENUES COLLECTED UNDER A CUSTOMS DUTY OR VARIABLE LEVY WERE EQUITABLY SHARED. GUAZZARONI COMMENTED THAT THE REPORTS OF ANALYSES THAT PREDICT GREATLY REDUCED DIFFICULTIES FOR CONSUMERS BY 1980 ADDS TO GOI CAUTION IN AGREEING TO LOCK ITSELF INTO LONG-TERM CONSUMER ARRANGEMENTS THAT REQUIRE SACRIFICES. HE HASTENED TO ADD THAT THE USG COULD CONTINUE TO COUNT ON ITALIAN CO-OPERATION, AND HE HOPES ITALIAN PREOCCUPATIONS WILL BE GIVEN DUE WEIGHT.

5. COMMENT: THE GOI POLICY AND DECISION MAKING MACHINERY FOR INTERNATIONAL ENERGY MATTERS IS NEITHER WELL STAFFED NOR EFFECTIVELY LED. GUAZZARONI'S REMARKS ARE THE FIRST SUGGESTION THAT ITALIAN THINKING HAS GONE MUCH BEYOND FOCUSING ON PROBLEM OF THE FLOOR PRICE. WE ARE NOT SURE WHAT HE MEANT IN REFERRING TO EQUITABLE SHARING OF OIL IMPORT REVENUES. HE MAY HAVE HAD IN LIMITED OFFICIAL USE

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PAGE 03 ROME 02554 202105Z

MIND SOME SYSTEM BY WHICH A COMMON IEA COLLECTION SYSTEM WOULD DISTRIBUTE PROCEEDS OF A LEVY OR TARIFF ACCORDING TO NEED. VOLPE

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